

## Message Text

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ACTION EA-12

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FM AMEMBASSY CANBERRA  
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AMEMBASSY TOKYO  
AMEMBASSY WELLINGTON

UNCLAS CANBERRA 4626

E.O. 11652: N/A  
TAGS: ELAB, ECON, AS, BEXP  
SUBJ: FULL INDEXATION GRANTED IN NATIONAL WAGE CASE

REF: CANBERRA 1508

SUMMARY: ON JUNE 7 FULL BENCH OF CONCILIATION AND ARBITRATION  
COMMISSION AWARDED FULL WAGE INDEXATION OF 1.3 PERCENT FOR THE  
MARCH QUARTER INCREASE IN THE COST OF LIVING. THE DECISION WHICH  
WAS LATE IN COMING, DEMONSTRATED THAT THE COMMISSION IS NEITHER  
A CREATURE OF THE GOVERNMENT NOR BOUND BY COLD LOGICAL ECONOMIC  
IMPERATIVES.

THE FULL WAGE "FLOW ON" WAS ATTACHED BY THE GOVERNMENT AND SOME  
EMPLOYER REPRESENTATIVES WHO ACCUSED THE COMMISSION INTER ALIA  
OF FAILING TO RECOGNIZE THE LINK BETWEEN WAGE INCREASES AND  
UNEMPLOYMENT AND SAID IT WOULD CUT ACROSS GOVERNMENT POLICY  
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AND FEED BACK INTO THE WAGE PRICE SPIRAL. IT WAS, HOWEVER,  
WELCOMED BY THE VAST MAJORITY OF TRADE UNIONS, A MAJOR EMPLOYER  
GROUP, AND SOME LOCAL GOVERNMENT OFFICIALS. THE LATEST DECISION  
WAS THE SMALLEST INCREASE SINCE WAGE INDEXATION BEGAN IN 1975.

2. "THE 1.3 PERCENT NATIONAL WAGE DECISION WAS THE BEST EVER",  
ACCORDING TO AUSTRALIAN COUNCIL OF TRADE UNIONS (ACTU) PRESIDENT

ROBERT HAWKE. SPEAKING FROM GENEVA WHERE HE IS ATTENDING THE 64TH ANNUAL ILO CONFERENCE, MR. HAWKE SAID "I BELIEVE THE TRADE UNION MOVEMENT WILL NOW SHOW A MUCH GREATER RESPECT FOR THE WAGE INDEXATION SYSTEM, AND THAT THE ARBITRATION COMMISSION HAS AGREED TO A DECISION THAT ACCEPTS THE PRINCIPLE OF FULL WAGE INDEXATION." HE WENT ON TO SAY THE DECISION WOULD PREVENT DETERIORATION OF INDUSTRIAL RELATIONS AND ASSIST ECONOMIC RECOVERY AND THAT THE ARBITRATION COMMISSION HAD ENDORSED THE ACTU POSITION THAT ECONOMIC RECOVERY COULD ONLY OCCUR BY MAINTAINING THE SPENDING POWER OF WAGES AND INCREASING CONSUMER DEMAND. HE ALSO SAID THAT TWO YEARS OF PARTIAL INDEXATION HAD REDUCED INFLATION BUT RESULTED IN WORSENING UNEMPLOYMENT AND RECESSION.

3. THE FEDERAL TREASURER MR. HOWARD, HOWEVER, WAS BITTER, HE SAID THE DECISION WOULD DO NOTHING TOWARD CREATING NEW JOB OPPORTUNITIES AND WOULD DELAY THE RECOVERY OF THE ECONOMY. "THE COMMISSION HAS NOT PAID SUFFICIENT REGARD TO THE ECONOMIC CONSEQUENCES OF THE DECISION IT HAS TAKEN," HE SAID. "IT IS ECONOMICALLY IMPOSSIBLE TO FOLLOW A POLICY OF FULL INDEXATION". THE MINISTER OF EMPLOYMENT AND INDUSTRIAL RELATIONS, MR. STREET SAID HE WAS DISAPPOINTED THE COMMISSION HAD REJECTED THE GOVERNMENT'S ARGUMENTS FOR NO WAGE ADJUSTMENT. HE SAID THE DECISION WOULD ADD ALMOST DOLS 600 MILLION TO THE NATIONAL WAGE BILL AND BOOST LABOR COSTS FOR EMPLOYERS WHOSE PROFITS WERE DEPRESSED. "APART FROM IGNORING THE CONTINUING EFFECTS OF DEVALUATION THE COMMISSION'S DECISION NOT TO DISCOUNT THE

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GOVERNMENT'S POLICY INDUCED INCREASE IN PETROLEUM PRICES WILL CUT ACROSS GOVERNMENT POLICY FOR THE CONSERVATION OF SCARCE OIL REOURCES," MR. STREET SAID. "THIS WILL FEED BACK INTO THE WAGE PRICE SPIRAL WHICH IS UNRELATED TO THE UNDERLYING RATE OF INDEXATION." HE CONCLUDED.

4. ARBITRATION COMMISSIONER SIR JOHN MOORE SAID 1.3 PER CENT WAS THE SMALLEST PERCENTAGE INCREASE AWARDED SINCE INDEXATION BEGAN AND WOULD BE CONSISTENT WITH A CONTINUED SLOWING DOWN OF THE RATE OF INFLATION.

5. ALTHOUGH MOST EMPLOYERS SAID THEY WERE DISAPPOINTED WITH THE DECISION AND WOULD DO NOTHING TO REDUCE INFLATION NOR TO BOOST EMPLOYMENT IN BUSINESS CONFIDENCE, ONE MAJOR EMPLOYER, THE FINANCIAL DIRECTOR OF THE VICTORIAN EMPLOYERS' FEDERATION, MR. LAURIE LOCKIE SAID THE DECISION CLEARLY INDICATED "THAT AUSTRALIA'S ARBITRATION SYSTEM HAS THE CAPACITY AND ABILITY TO ARBITRATE ON A MATTER OF SUCH NATIONAL IMPORTANCE." MR. LOCKIE SAID "THE FULL FLOW ON OF THE MARCH QUARTER CONSUMER PRICE INDEX SHOULD BE WELCOMED BY EMPLOYERS UNIONS, AND THE FEDERAL GOVERNMENT."

6. VICTORIAN PREMIER MR. HAMER ALSO PRAISED THE DECISION AS

RESPONSIBLE AND SENSIBLE.

7. ALP OPPOSITION SHADOW TREASURER SAID THE DECISION HAD ENDORSED THE CONTINUATION OF AN ORDERLY SYSTEM OF WAGE FIXATION.

8. THE DECISION MEANT THAT MOST BLUE COLLAR WORKERS WOULD GET AN INCREASE OF ABOUT DOLS 2.70 A WEEK BEFORE TAXES. IT DOES NOT INCLUDE OVER-AWARD PAYMENTS AND AFFECTS APPROXIMATELY 6 MILLION BLUE AND WHITE COLLAR AUSTRALIAN WORKERS.

COMMENT: MODERATE TRADE UNION OFFICIALS WERE PLEASANTLY SURPRISED AND RELIEVED WITH THE DECISION. MANY EXPECTED A PARTIAL INCREASE AMOUNTING TO ONE PER CENT AND A FURTHER REDUCED SET INCREASE FOR ALL WORKERS EARNING MORE THAT DOLS AUST 200 PER  
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WEEK. MILITANT COMMUNISTS WERE ALSO PLEASED. COMMUNIST PARTY METALWORKER TRADE UNION LEADER JOHN HALFPENNY SAID THAT THE COMMISSION HAD SEEN MERIT IN FULL INDEXATION AFTER SO LONG. HE ADDED, HOWEVER, THAT IT WAS NO ACCIDENT THAT FULL INDEXATION HAD BEEN GRANTED FOR THE PERIOD WHEN THERE WAS THE SMALLEST INCREASE IN THE CPI. BIG WINNER APPEARS TO BE SIR JOHN MOORE, ARBITRATION COMMISSION PRESIDENT, WHO EMPHASISES HUMAN ASPECTS IN DEALING WITH THE ECONOMY RATHER THAN COLD FORMAL LEGALITIES AND TECHNICALITIES. THERE IS LITTLE DOUBT THERE WAS DISAGREEMENT BETWEEN MEMBERS OF THE COMMISSION. IT TOOK THE SEVEN MEMBERS TWO WEEKS TO REACH A DECISION AND MOST INFORMED OBSERVERS CREDIT MOORE WITH BRINING OVER "RELUCTANT" DRAGONS TO FULL FLOW ON.

THERE IS ALSO A QUESTION MARK HANGING OVER FUTURE WAGE INDEXATION AS SIR JOHN MOORE ALSO NOTED THAT THIS WAS THE LAST WAGE HEARING TO BE CONDUCTED UNDER THE PRESENT RULES. THE COMMISSION IS SOON TO DETERMINE WHETHER INDEXATION SHOULD CONTINUE, AND, IF SO WHETHER AND HOW THE GUIDELINES SHOULD BE CHANGED. THERE ARE SOME ON BOTH SIDES WHO WOULD LIKE TO SEE INDEXATION ABOLISHED. SOME MILITANT UNIONS FEEL THEY COULD DO BETTER OUTSIDE THE CONSTRAINTS OF QUARTERLY COST OF LIVING ADJUSTMENTS WHILE SOME EMPLOYERS AND GOVERNMENT OFFICIALS FEEL WAGE INDEXATION INSTITUTIONALIZES INFLATION. THE DELAY IN HANDING DOWN THE DECISION SAVED EMPLOYERS A WEEK OR SO IN PAYING THE INCREASE WHICH MADE IT MORE PALATABLE.  
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